

Message Text

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51

ACTION NEA-12

INFO OCT-01 EUR-25 EA-11 ISO-00 OMB-01 INT-08 ARA-16 EB-11

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DRC-01 /145 W

----- 120629

R 280945Z MAR 74

FM AMEMBASSY JIDDA

TO SECSTATE WASHDC 6553

INFO AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY TOKYO

AMCONSUL DHAHRAN

C O N F I D E N T I A L JIDDA 1575

E.O. 11652: GDS

TAGS: EIND, ENRG, SA

SUBJECT: PETROMIN APPROVES THREE MILLION TON STEEL PLANT

SUMMARY: PETROMIN BOARD OF DIRECTORS MEETING MARCH 25 APPROVED MARCONA STEEL PLANT FEASIBILITY CONTRACT. IF ECONOMICS OF THREE MILLION TON DIRECT REDUCTION STEEL MILL ARE APPROVED LATER THIS YEAR PLANT WILL BE DESIGNED AND CONSTRUCTED AS SOON AS POSSIBLE. NUMBER OF OTHER INDUSTRIAL PROJECTS INCLUDING MOBIL LUBE PLANT ALSO REPORTED ENDORSED. MAJOR BECHTEL INDUSTRIAL PLANNING PROPOSAL MAY BE APPROVED LATER THIS WEEK. END SUMMARY.

1. JIDDA NEWSPAPERS MARCH 26 HEADLINED APPROVAL BY PETROMIN BOARD OF DIRECTORS PREVIOUS EVENING MARCONA STEEL MILL PROJECT. BASED ON PRE-FEASIBILITY SURVEY BY SAN FRANCISCO BASED FIRM, PETROMIN BOARD REPORTEDLY AUTHORIZED IMMEDIATE SIGNING OF FEASIBILITY STUDY.

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2. ECONOMIC COUNSELOR TOLD BY MINISTRY SOURCE THAT

BOARD AT LATE EVENING MEETING AGREED STEEL MILL WILL GO FORWARD AS FIRST MAJOR NEW PROJECT IF ECONOMIC FEASIBILITY IS APPROPRIATE. PLANT WILL BE BASED ON SLURRY TRANSPORT AND SHIPMENT OF ORE IN LARGE TANKERS PROBABLY FROM BRAZIL AND USE OF DIRECT REDUCTION PROCESSES BASED ON INEXPENSIVE NATURAL GAS.

3. GOVERNOR TAHER REVIEWED DECISION WITH COUNSELOR MARCH 27. HE REVEALED THAT BASIC AGREEMENT FOR JOINT VENTURE (50-50 BETWEEN PETROMIN AND MARCONA AND ITS PARTNERS) WAS IN DRAFT AND IT IS NOT IMPOSSIBLE THAT SIGNATURE COULD TAKE PLACE IN NEXT FEW WEEKS. IT WOULD LEAVE EITHER PARTY ABLE TO WITHDRAW IF FEASIBILITY STUDY TO BE COMPLETED LATER THIS YEAR PROVES LESS POSITIVE THAN EXPECTED. TAHER SAID THAT HE HAD PERHAPS 50 REFINERY AND OTHER HYDROCARBON RELATED INDUSTRIAL PROPOSALS FOR SAUDI ARABIA AND ANOTHER 30 SUCH PARTICIPATION/CRUDE SUPPLY PROPOSALS OVERSEAS. HE NOTED THAT ALL MIGHT EVENTUALLY BE APPROVED IF THEY PROVED TO BE SERIOUS AND POTENTIALLY PROFITABLE IN THE FEASIBILITY STAGE OF DEVELOPMENT.

4. PETROMIN BOARD OF DIRECTORS ALSO ENDORSED A NUMBER OF OTHER UNNAMED INDUSTRIAL PROJECTS. AMONG THESE, THE ONLY AMERICAN ONE WAS A MOBIL PROPOSAL FOR A LUBE PLANT IN JIDDA. OTHER PROJECTS UNDERWAY INCLUDE A LARGE SHELL REFINERY (500,000 B/D) AND A MITSUBISHI PETRO-CHEMICALS PLANT.

5. BECHTEL NEGOTIATORS NOW IN RIYADH HAVE SUBMITTED PROPOSALS FOR INDUSTRIAL DEVELOPMENT PLAN FOR ENTIRE EASTERN PROVINCE. THIS PROPOSAL WAS TO BE REVIEWED MARCH 27 WITH FAVORABLE APPROVAL QUITE LIKELY. COMMITTEE CHAIRED BY MINISTER OF FINANCE MUSA'AD WILL MEET IN RIYADH WITH CENTRAL PLANNING AND PETROMIN OFFICIALS. BECHTEL REPRESENTATIVES ARE STANDING BY TO PROVIDE INFORMATION AS NEEDED. FIRM HAS ALSO BEEN ASKED TO SUBMIT SIMILAR PROPOSAL FOR ENTIRE WESTERN PROVINCE INDUSTRIAL DEVELOPMENT, INCLUDING OIL/GAS PIPELINE FROM FIELDS NEAREST RIYADH. DISCUSSION IN RECENT DAYS
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HAS GIVEN BECHTEL ENCOURAGEMENT ON BOTH PROPOSALS. FEASIBILITY STUDIES ARE LONG WAY FROM FIRM CONTRACTS. BUT SAG APPEARS TO HAVE REACHED SOME BASIC DECISIONS THAT COULD BREAK PETROMIN LOGJAM OF INDUSTRIAL PROPOSALS.
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